Market Trials

Market trials focus on the market characteristics of an enhanced service. These trials can only be very limited in scope, duration, geographic areas, participants, etc. In its Memorandum Opinion and Order, January 30, 1989, the FCC set forth seven requirements which must be followed when conducting market trials of enhanced services outside of the CEI approval process, i.e., under CEI Waiver:

- 1. The CEI waiver will only be applicable to limited market trials of up to eight months duration.
- 2. The costs of all market trials must be allocated in full accordance with the approved cost manual.
- 3. U S WEST must inform our customers, who participate in the trial, that services and prices available during the trial may not be available at the close of the trial.
- 4. Competing enhanced service providers must receive equal access and equivalent prices for all basic network services used in the trial. Any facilities shortage must be shared equally among all enhanced services providers, including U S WEST's enhanced operations.
- 5. Enhanced Service Providers must be informed of trials 90 days in advance of a trial.
- 6. Customer Proprietary Network Information and Network Disclosure rules must be observed whenever planning or conducting an enhanced service market trial.
- 7. U S WEST must notify the FCC, in writing, 90 days prior to the proposed commencement of any enhanced service market trial.

<u>IMPORTANT</u>

Prior to conducting any type of enhanced service trial, contact your Legal Counsel to determine the nature of the trial(s) and required activities.

(J) <u>AUTHORIZED AGENCY PROGRAM</u>

In response to certain Federal Communications Commission and Department of Justice requirements, U S WEST has implemented an Authorized Agency Program. The joint marketing requirement of FCC Docket 86-79 requires U S WEST to provide independent Customer Premises Equipment (CPE) Vendors with a meaningful opportunity, through sales agency plans or other functionally equivalent means, to market their CPE jointly with Centrex and other U S WEST services.

This requirement is intended to further three major goals:

- 1. To provide independent CPE vendors with the opportunity to offer customers an integrated CPE/network services package on an efficient basis.
- 2. To foster competition for U S WEST's CPE operations, by ensuring that independent CPE vendors as well as the BOC's are able to offer One-Stop shopping for both CPE and network services.
- 3. To enable independent CPE vendors the ability to make integrated service offerings available to customers, that U S WEST might not choose to provide to those customers.

U S WEST chose to satisfy the joint marketing requirement by continuing its successful Sales Agency Program. It is the mission of Agent and Consultant Marketing to generate network revenues through Agents in support of Market Unit delivery channel strategies and sales plans.

How does the Authorized Agent Program work?

Telecommunications companies apply to become Agents for U S WEST. Agents are selected on the basis of several criteria, including sales and service capabilities, financial strength and market coverage. Agents don't purchase goods from U S WEST for resale. Rather, they receive commissions for products and services sold. U S WEST bills the customer directly and receives payment for the sale. The relationship is similar to that of an airline and a travel agent. Customers may purchase a ticket by calling the airline. But by calling the travel agent, they may not only purchase an airline ticket, but may also reserve a hotel room and a rental car. The parallel is that U S WEST now operates like the airline, and the Agent works like the travel agent. The agent adds value for the customer by arranging for U S WEST products as well as a variety of other products.

How do Customers benefit from the Authorized Agency Program?

Because customers can turn to their Agent for all U S WEST products and services as well as for other products and services, the Agent becomes the customer's single point of contact. Sales and service are coordinated by one company. By combining U S WEST network and transport services with other products, the Agent is able to offer the convenience of One-Stop shopping. Also, by ensuring that independent CPE vendors have a meaningful opportunity to market their CPE jointly with U S WEST network services, customers may enjoy an expanded choice of integrated CPE and network services packages.

How closely do Agents work with U S WEST?

All Agents are under contract to U S WEST. They receive comprehensive product and application training, and work closely with the U S WEST Agent and Consultant Marketing sales group. U S WEST's representatives process and coordinate requests for customers service from the Agents, and serve as the point of contact for product requests. To complete the sale, U S WEST installation and repair technicians are available to service U S WEST products.

How does U S WEST benefit from this program?

Importantly, the Authorized Agent Program provides improved service to our customers. For U S WEST, improved market coverage, increased use of U S WEST basic services, and the resultant revenues are all be benefits of utilizing the Authorized Agent Program. Sales produced by the Agency Program are credited to the respective Market Unit's revenues.



Refer questions to your Supervisor.

If you have further AUTHORIZED AGENCY PROGRAM questions please refer to the HELP LIST.

(K) COMPLIANCE TRAINING SUMMARY

SAFEGUARD	DEFINITION	EMPLOYEE RESPONSIBILITIES*
CUSTOMER SPECIFIC CPNI	Individual customer record information regarding basic network services,e.g., Customer Service Records (CSRs).	
		Employees not involved in the sale and marketing of these services cannot provide restricted information to unauthorized employees.
AGGREGATED CPNI	A summary of information on the network services of a group of customers formatted so the identity of the customers is unknown, e.g., Touchtone Penetration, by end office.	All employees will refer catalog requests to the Vendor Service Center (1-800-544-7126). Employees involved in the design, planning, provisioning or marketing of enhanced, CPE services cannot use Aggregated CPNI without the appproval of the Aggregated CPNI Coordinator.
NONDISCRIMINATORY PROVISIONING	An equal level of installation, maintenance and repair service in provisioning basic network services to all Providers.	Employees will not give preference or priority to U S WEST Providers over external Providers. Employees will work orders for installation and maintenance of basic network services in a nondiscriminatory manner for all Providers.
NETWORK DISCLOSURE	Information about planned changes to the basic network and interfaces that have the potential to affect a Provider's use of the basic network to provide service must be disclosed, prior to any such change.	Employees involved in network and product planning are responsible for contacting the Network Disclosure Coordinator to determine if a network change will require disclosure. Notice to ESPs at the 'make-buy' point. Notice to the public 12 months prior or at the 'make-buy' point, if less than 12 months. NO LESS THAN 6
	The accounting methodology which provides the rules for the separation of costs of regulated vs. nonregulated activities.	months notice can be given. Product Mgrs and Developers are responsible for determining if a new service is enhanced, and for developing the business case/financial analysis. They must also review all new enhanced service plans for Cost Allocation Manual changes with the Regional Cost Acctg Group, and track time in accordance with PART X rules.
		A period of 60 days is needed to prepare a Cost Accounting Manual filing. After the filing, another 60 days must pass before the new enhanced service can be offered.
	Network facilities (access arrange- ments), and unbundled features or functions ,i.e., individual components with specific rates.	Employees will document all requests from ESPs on the U S WEST ONA Service Request Application, which they will send to the ONA Market Liaison Manager.ESPs will be contacted within 10 working days of the request, by the ONA Market Liaison Manager.
	Non U S WEST and U S WEST Enhanced Service Providers will pay the same price for ONA services.	Enhanced service business case/financial developers must assume public (tariff/price list) rates for all ONA services; and further assume 'off-premises' treatement. Even though colocated in a USW CO, a minimum 2 mile access rate must be imputed

^{*}Note: Not all employee responsibilities are listed.



(L) HELP LIST

If your immediate Supervisor is not able to answer your questions, please contact the appropriate Subject Matter Expert or Departmental Representative listed below.

Subject Matter Experts

Subject	Representative	Telephone Number
Customer Specific CPNI	Ann Berberian	206 346-9201
Aggregated CPNI	Mary Jane Rasher	402 422-7923
Network Disclosure	Leila Gibson	303 896-9025
New ONA Service Requests	Ivy Stevens	206 345-3547
Accounting-Part X	•	
Business Case Support	Joel Rahn	402 422-7903
Time Reporting	Dick Gude	402 422-2838
Compliance Issues	Eric Robinson	402 422-8756
Authorized Agency Program	Steve Egan	303 896-7606
ONA-Market Unit Liaison	Terry Shannon	206 345-2051
Legal Counsel	Bob McKenna	303 896-0350
Legal Counsel	Laurie Bennett	303 896-5386
Legal Counsel	Kathy Krause	303 896-9155

Departmental Representatives

Market Units

Home and Personal Services	Jan Biga	303 896-5211
Information Providers	George Goldstein	303 896-0911
Large Business Services	Paula Millen	402 422-7599
Small Business Services-East	Tom Gray	515 286-7089
Federal Services	Don Lewis	303-896-1911
All Other Market Units	Hannah Olufs	206 345-3380

Carrier Market Unit

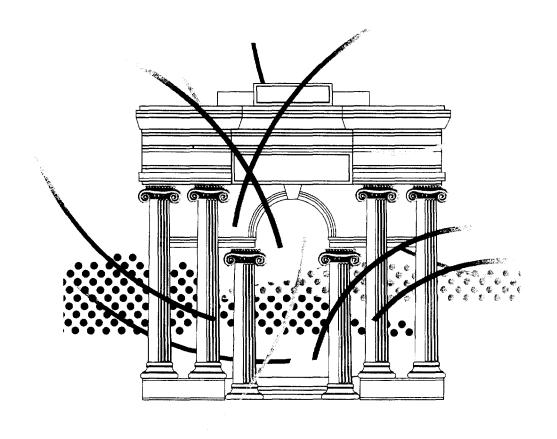
Vendor Service Center-West	Hannah Olufs	206 345-3380
Vendor Service Center-Central	Eric Moe	303 896-8362
Vendor Service Center-East	Sharon Fratzke	612 344-4875
Interexchange Carrier Service Centers	Char Kuder	303 896-9364

Network & Technical Operations

Network Switching	Sid Morrison	303 896-9001
Network Facilities	Doug Plemons	503 242-8996
Network Services	Bill Kulling	303 896-7393
Technical Operations	Randy Bergstrom	206 345-6621
Network Planning	Leila Gibson	303 896-9025

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OPEN NETWORK ARCHITECTURE
ENHANCED SERVICES
CUSTOMER PREMISES EQUIPMENT

COMPLIANCE MANUAL • 1992-1993



CONFIDENTIAL

This document is not to be disclosed except to U S WEST employees with a need to know.

PREPARED BY

U S WEST Communications

Market Services Organization

1801 California Street, 44th Floor

Denver, CO 80202

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TABLE OF CONTENTS	Pag
EXECUTIVE SUMMARY	5
Keep this booklet handy 6	
Compliance training summary 7	
Key dates and events 8	
SECTION ONE: The reasons behind the rules	9
What are enhanced services, information services and basic services? 9	
Response to customers 9	
What's at stake 10	
Questions and Answers 11	
SECTION TWO: Five FCC principles	
Principle One: Equal Network Access	13
Open Network Architecture 13	
ONA services and requirements 13	
Using ONA services to create enhanced services 14	
How to request basic services for use with enhanced services 14	
Questions and Answers 15	
Principle Two: No Preferential Treatment	17
The reason behind the principle 17	
Standardized hardware and software connections 17	
FCC reports 17	
Questions and Answers 18	
Principle Three: Information Control	19
The reason behind the principle 20	
Customer-specific information 20	
Large business accounts automatically restricted 20	
Aggregated customer information 21	

Questions and Answers 21

TABLE OF CONTENTS, CONT'D	Pag
Principle Four: Advance Disclosure	24
The reason behind the principle 24	
The "make/buy" point 24	
Six-month rule 25	
Plan for disclosure time 25	
Questions and Answers 25	
Principle Five: No Subsidization	26
The reason behind the principle 27	
Who deals with Part 64 and Part 32? 27	
Time reporting 27	
Business case analysis 27	
Transactions and asset transfers 28	
Questions and Answers 28	
SECTION THREE: When you have a question	29
Contacts and resources 29	
SECTION FOUR: Appendix	31
Historical perspective 31	
Glossary 33	
ONA services 36	
ONA rules 38	
Timeline 39	



EXECUTIVE SUMMARY

We've written this booklet to help you learn what you need to know about the Federal Communications Commission (FCC) rules—and to emphasize how important they are. We've described specific actions we must take as individuals and as a company to be in compliance with the FCC's requirements for fair competition in the enhanced services and customer premises equipment (CPE) marketplaces.

Competition will help create the open, dynamic and responsive network that will be the foundation of the knowledge-based economy of the 21st century. In this competitive spirit, the FCC rules allow U S WEST and the other regional Bell operating companies (RBOCs) to make the telephone network more accessible to enhanced services and customer premises equipment providers. The rules also allow U S WEST to participate in the enhanced services market without a separate subsidiary. And, at the same time, the rules protect our competitors and prevent discrimination.

New Opportunities

Enhanced services include telemessaging services, alarm services, facsimile storage and electronic mail. Customer premises equipment (CPE) is just about every variation of on-site telecommunications equipment, including modems, key systems, PBXs and telephone sets.

The FCC created special rules because U S WEST has a dual role in the enhanced services industry. U S WEST is both a supplier and a competitor. On one hand, we supply basic network services to enhanced services providers. On the other hand, we also provide enhanced services.

Fair Competition

That puts us in the position of competing with our own customers. For example, U S WEST Communications' Voice Messaging Service competes with other telemessaging services that depend on our network services. The FCC rules ensure fair competition.

These same rules generally apply to customer premises equipment as well.

What does this newfound freedom to compete mean to you? It means that if you deal with enhanced services and customer premises equipment or with the underlying network services that support them, it's absolutely urgent that you follow these FCC principles to the letter:

- We will make the same basic network services available to all providers of enhanced services and customer premises equipment at the same prices and on the same terms and conditions.
- 2. We will provide the same quality and timeliness of basic network services, repair and installation to our competitors as we do to our own internal enhanced services and customer premises equipment operations.
- 3. Customers have the right to choose who can access information about their network services. Customers can decide whether or not they want U S WEST enhanced services or customer premises equipment employees or external providers to have access to their local telephone service records for sales purposes.
- 4. When we decide to deploy a new product that provides or relies on a new basic network interface or requires a change to an existing network interface, we must make timely disclosure to all other providers of enhanced services and customer premises equipment.
- 5. We will not subsidize our enhanced services and customer premises equipment businesses with revenues from basic ratepayers.

5 FCC Principles



Keep this booklet handy

The Market Services Organization prepared this "plain English" booklet and a companion videotape to help each of us learn these five simple principles. Use this booklet as a general reference. If you have any questions, call the experts. Their job is to help you do your job well. We've listed compliance managers and Market Services Organization ONA personnel in Section Three.

Here's how the booklet is organized:

Section One: The reasons behind the rules. We also describe enhanced services and explain why we want to be in that business.

Section Two: Five FCC principles. We discuss each of the principles and how they affect our day-to-day work.

Section Three: When you have a question. You'll find a list of people to call whenever you need help. See the contact list on page 29.

Signing of the Employee Certification of Understanding You must read these first three sections before signing the Employee Certification of Understanding. This form is used by U S WEST to certify to the FCC that employees have been trained.

Section Four: Appendix. For those who want more details, we've included a list of ONA services, a glossary, the history of the regulations and other information.

COMPLIANCE TRAINING SUMMARY

Equal Network Access	Network facilities (access arrangements) and unbundled features and functions. These are individual items with specific rates.	Document all requests for new ONA services from enhanced services providers on the U S WEST ONA Service Request Application. Send Application to the Vendor Service Center.
		ONA product development manager contacts enhanced services provider within 10 working days as to the status of the request.
	All internal and external enhanced services providers pay the same price for ONA services.	When developing business cases and financial plans for enhanced services, assume public rates (tarifl/price list) and "off-premises" treatment for all ONA services. Although U S WEST enhanced services equipment is collocated in a U S WEST central office, a minimum of a two-mile access rate must be imputed on distance sensitive access services.
No Preferential Treatment	An equal level of installation, maintenance and repair service in providing basic network services	Give no preference or priority to U.S WEST enhanced services and CPE operations over external providers and their customers.
теситет п	to all enhanced services and customer premises equipment providers and their customers.	Handle work orders for installation and maintenance of basic network services in a nondiscriminatory manner for all enhanced services and CPE providers.
Information Control		Enhanced services and CPE personnel cannot access restricted CPNI accounts.
		Network-only employees cannot provide restricted CPNI to unauthorized personnel, specifically enhanced services and CPE sales and marketing employees.
Aggregated CPNI: A summary of customers' network services information sufficiently combined so the individual customers cannot be identified.	Refer requests to Vendor Service Center or CPNI coordinator. Employees involved in the design, planning, provisioning or sale of enhanced services or CPE cannot use aggregated CPNI without the approval of the CPNI coordinator.	
		Use of aggregated CPNI by U S WEST enhanced services or CPE personnel is contingent on it being available to competitors under equal terms.
	Information about planned changes to the basic network and interfaces that may affect an enhanced services or CPE provider's use	Network and product-planning employees must contact the net- work disclosure coordinator to decide whether the network change requires disclosure.
of the network must be disclosed before the change.	Network disclosure coordinator must inform industry at "make/buy" point. Public must be notified 12 months before deployment or market trial or at "make/buy" point. If the make/buy decision is less than 12 months before product introduction or market trial, disclosure must be made to the public and the enhanced services and CPE industries at the same time. No less than six months notice can be given.	
	Part 64/32 accounting method that separates costs of regulated and nonregulated	Incorporate Part 64/32 accounting principles when developing financial analysis/business case for each new product.
	activities.	Enhanced services and CPE product managers/developers work closely with Part 64 accounting representatives to determine whether changes to the Cost Allocation Manual will be required.
		All time and expenses associated with planning new nonregulated services must be tracked under Part 64.
		Allow at least 60 days to prepare Cost Allocation Manual for filing with the FCC. After the filing, another 60 days must pass before the new enhanced service can be used.
		Part 32 accounting applies to affiliate transactions and asset transfers between U S WEST Communications and affiliates.

KEY DATES AND EVENTS

TIME	EVENT	SIGNIFICANCE
1934	Communications Act	Creates the Federal Communications Commission (FCC) to regulate interstate communications.
1956	Consent Decree	Issued by U.S. Department of Justice. AT&T restricts itself to telecommunications service and no involvement in the computer industry.
1971	Computer Inquiry I (CI-I)	FCC divides telecommunications industry into three categories: communications, data processing and hybrid service.
1980	Computer Inquiry II (CI-II)	Results in FCC ruling that differentiates between basic services and enhanced services. AT&T and telephone companies permitted to offer terminal equipment and enhanced services only through separate subsidiaries.
1982	Modification of Final Judgment (MFJ)	Department of Justice and AT&T negotiate agreement ending government antitrust suit. Divestiture ordered. Lines of business established for regional telephone companies.
1984	Divestiture	AT&T divests itself of operating telephone companies and enters markets previously closed to it. Seven regional operating companies formed.
1987	FCC Docket 86-79	FCC approves Bell operating companies' customer premises equipment compliance plans, permitting companies to participate in customer premises equipment (CPE) markets.
	Computer Inquiry III (CI-III)	FCC establishes Open Network Architecture (ONA) rules.
1988	ONA Plan Filing	U S WEST files ONA Compliance Plan with FCC.
1990	CI-III Remand	U.S. Court of Appeals vacates CI-III rules.
1991	Information services restriction lifted, but "stay" imposed.	U. S. District Judge Harold Greene permits regional Bell operating companies (RBOCs) to enter information services but imposes "stay" on the order to delay entry until appeals process is exhausted.
	Information services stay is vacated.	U.S. Court of Appeals vacates stay imposed by Judge Greene, permitting RBOCs to enter information services business.
JUNE 1992	FCC lifts requirement for separate subsidiaries.	U S WEST can offer enhanced and information services on an integrated basis.
1992-FUTURE	Congress and state regulators continue debate.	777

THE REASONS BEHIND THE RULES

In late 1991, the FCC approved U S WEST's Open Network Architecture Plan. The ONA Plan outlines the policies and procedures U S WEST will implement to ensure fair competition and give all enhanced services providers the same access to basic network services. The Plan took effect formally in June 1992.

What are enhanced services, information services and basic services?

If you've ever used Voice Messaging, you've used an enhanced service. What makes it an enhanced service? According to the FCC, an enhanced service involves changing, storing or modifying the information on common carrier facilities. Voice Messaging, the best known U S WEST enhanced service, is carried on our basic common carrier network, stores messages and allows subscribers to retrieve them.

Other examples of enhanced services include alarm services, value-added networks, point-of-sale credit verifications, facsimile storage, financial transactions, videotex, electronic mail and on-line business information services, such as WESTLAW. CompuServe and the SABRE information service used by American Airlines.

Under the Modification of Final Judgment, information services generate, store or transform data. For FCC compliance purposes, both enhanced services and information services fall under the rules in this booklet.

A basic service—our standard common carrier service—is a transmission service, including switching.

Response to customers

We recognize the telephone network is a remarkable resource. It's widespread and simple to use. It can connect people to one another within seconds.

Naturally, other companies want to use that network in conjunction with their enhanced services. They, too, want to find new ways to transport, change and access data over the public switched network.

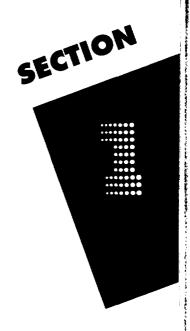
While some competitors offer alternatives to our network, almost all competitors will also use our network. But to compete, enhanced services and customer premises equipment providers rely on the network we control. That's why the FCC developed rules. The FCC wants to be sure everyone gets an equal chance to compete.

The rules evolved from lengthy and intense regulatory proceedings the FCC began in the late 1960s. By the time of the AT&T divestiture in 1984, AT&T and subsequently the regional Bell operating companies (RBOCs) could offer enhanced services and customer premises equipment only through what were called fully separate Computer Inquiry II subsidiaries. The FCC felt that separate subsidiaries would prevent anticompetitive behavior by the RBOCs.

Within a few years, Open Network Architecture proceedings were initiated to evaluate the separate subsidiary regulations. They had proved to be extremely inefficient and costly, requiring the RBOCs to duplicate facilities and personnel to provide basic and enhanced services.

In the FCC's December 1991 order, the FCC reversed its requirement for a separate enhanced services subsidiary. Instead, the FCC adopted effective regulatory safeguards. These safeguards were originally developed in 1986. However, the FCC's original ONA concept was "vacated" by a court. These safeguards permit the RBOCs to provide enhanced services to the public in a way that will best serve American consumers. "A technologically innovative and economically efficient telecommunications infrastructure is critical to U.S. prominence in an information-oriented global economy," the FCC said.

Enhanced Services



Chronology



These most recent FCC rules supersede all prior waivers and orders for enhanced services. Instead of requiring separate subsidiaries to prevent any possibility of anti-competitive behavior, the FCC created effective rules of business conduct that prohibit preferential treatment for any U S WEST enhanced services operation. Now, all enhanced services are offered in accordance with what is called the U S WEST ONA Plan.

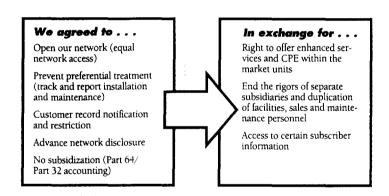
These rules of business conduct address our competitors' concerns in four areas:

- 1. U S WEST and the other RBOCs provide and maintain network services. Our competitors worried we would use that position to discriminate against them and favor our own enhanced services or customer premises equipment operations.
- 2. The competition wants to prevent U S WEST and the other RBOCs from using revenue from basic service ratepayers to subsidize our enhanced services and customer premises equipment businesses by including costs of enhanced services in regulated telephone rates.
- 3. The competition was concerned that we could change the network and affect the ability of enhanced services and customer premises equipment providers to connect to the network and serve their customers.
- 4. Our competitors said they wanted the same access to customer network information as U S WEST to market and serve their customers.

In exchange for the opportunity to compete in the enhanced services and CPE industries, U S WEST must meet the needs of our competing vendors fairly and in full compliance with the law.

Our Agreement

Competitors' Concerns



What's at stake

"Failure to respond to our competitors' network needs could hurt us, not only in the marketplace but also in the courtroom and in legislative chambers," explains Dick McCormick, chairman of U S WEST, Inc. Our critics are urging Congress to restrict our freedom to offer enhanced services, the heart of our future business.

The Future

"Compliance with the FCC rules is one of the single most important things we'll be doing over the next several years if we're going to stay in the enhanced services business," says Bob McKenna, U S WEST Communications senior counsel.

How well we protect the rights of our competitors will determine whether we'll be allowed to remain in the exciting, profitable and expanding enhanced services industry. Because of the broad sweep of the definitions of enhanced and information services, how well we comply with the FCC rules will also determine if we'll be able to make future network upgrades.

Gambling with non-compliance can have serious consequences for us as individuals. Violations can lead to stiff fines and could result in disciplinary action, including dismissal.

Complying with the regulations governing ONA is just as important as complying with the MFJ, or Modification of Final Judgment.

As McCormick reminds us, "It's important for us to learn what we can and cannot do. Our future as a company and as individual employees depends on it."



- Q. Why did the FCC and the courts finally let U S WEST and the other RBOCs offer enhanced services?
- A. The FCC wants to stimulate the development of the telecommunications industry. The FCC realized the public would benefit if we were in the game. Consumers have more and better choices when many companies offer services and products. For example, the technology for voice messaging, an enhanced service, was available as early as 1981. However, AT&T was forbidden to offer it except through a Computer Inquiry II subsidiary. Companies that were allowed to offer it developed voice messaging for businesses but not the residential market. The FCC allowed us to enter the market to benefit more consumers.
- Q. Prior to the latest FCC rules, our ability to jointly plan products with U S WEST Enhanced Services, Inc., our fully separate subsidiary, was limited. Are we allowed to jointly plan and market products with ESI or other U S WEST affiliates and subsidiaries now?
- A. Yes. The FCC believes the public will benefit if we're able to talk and work together to plan and create new products and services. However, we must follow the FCC rules discussed in Section Two. For example, the FCC rules prohibit us from using restricted customer information to plan or market new enhanced services or CPE. We also have to tell the other enhanced services and CPE companies before we make any changes to the network that might affect them. And we have to keep accurate cost and time reports to make sure our regulated business doesn't pay to develop and market our unregulated business.

Joint Planning Allowed

- Q. Do subsidiaries have to follow the same rules if they offer enhanced services or CPE?
- A. Yes, the same rules apply. For example, they must buy basic network services from tariffs or price lists. They can't use U S WEST Communications customer network service information unless authorized by the customer. And everyone has to account for costs and time. These rules are discussed in detail in Section Two. We do not, however, need an ONA plan for CPE.

Subsidiaries Must Follow Rules

- Q. What customer premises equipment does the FCC rules cover?
- A. Customer premises equipment includes on-site telecommunications equipment from telephone sets to private branch exchanges (PBXs). The rules exclude U S WEST coin-operated pay phones, some multiplexing equipment and voltage protection equipment. Slightly different rules apply to inside wire. However, you're safe if you follow the general principles for CPE when dealing with inside wire.
- Q. What are the FCC rules for CPE?
- A. In 1987, the FCC approved the RBOCs' compliance plans for customer premises equipment (CPE). That allowed us to go back into the CPE market without having to set up a separate subsidiary or file a special interim plan. The FCC rules for customer premises equipment are similar to those for enhanced services: no preferential treatment based on the customer's CPE vendor, customer control of information, advance disclosure of network changes to the CPE industry, and our CPE operations will not be subsidized by basic telephone service ratepayers. The rules

Rules For Customer Premises Equipment (CPE)

for accessing customer record information are slightly different. We also need to maintain what is called an Authorized Agent Program. This program permits independent CPE vendors to market some network services. As noted, we do not need an ONA plan for CPE.

- Q. How do we participate in the CPE market?
- A. Our Small Business Services, Business and Government Services and Federal Services market units sell CPE. We also participate in the CPE market through the Authorized Agent Program.
- Q. What's the CPE Authorized Agent Program?
- A. As part of the agreement that allowed us to reenter the customer premises equipment market, we made our network services available to outside CPE vendors as a convenience to their customers. Under the Authorized Agent Program, independent telecommunications equipment vendors can offer telecommunications packages that use our network features and services, such as Centrex Plus. We pay the agents a commission for selling our basic network services.
- Q. What's the bottom line on compliance?
- A. US WEST Communications cannot unfairly favor our enhanced services and CPE operations. Simply, whatever our enhanced services and CPE operations use must be available to our competitors at the same time and the same price. It's a matter of fair play.

Authorized Agent



PRINCIPLEONE

We will make the same basic network services available to all providers of enhanced services and customer premises equipment at the same prices and on the same terms and conditions.

This principle allows other enhanced services providers to have the same access to network services as our own enhanced services and customer premises equipment operations. It encourages innovation and the development of new basic network services for use with enhanced services.

Open Network Architecture

This principle is built on the concept of Open Network Architecture (ONA). It's how we make our telephone network and new or existing basic services available to other enhanced services providers.

Before ONA, if a provider wanted to create an enhanced service, it was often limited to buying standard, off-the-shelf network services from us. Some of the network services that providers needed were pre-packaged with services they didn't need. Many enhanced services providers felt the telephone companies were not treating them as customers in developing services to meet their needs.

Now, under ONA, when an enhanced services provider requests new or existing network features, we look at developing those features. The providers often want the services "unbundled," that is, in their simplest functional form at a lower rate. Providers can buy the services they want a la carte to build their enhanced services.

ONA services and requirements

Whenever a basic network service is used as part of an enhanced service, either by U S WEST or another company, that basic service falls under certain Open Network Architecture requirements and becomes classified with regulators as an "ONA service."

It's called an ONA service because it "opens" our network to our enhanced services competitors.

ONA basic network services include transport or "Basic Serving Arrangements," such as flat-rate lines; central office features or "Basic Service Elements," such as hunting; and "Complementary Network Services," such as Message Waiting Indication.

ONA basic network services are priced separately and are available on the same terms and conditions to any provider of enhanced services-or any other customer-that wants to buy them.

To meet certain compliance requirements, marketing employees, such as product managers and developers, need to know if their products are being used with enhanced services. For a more complete list of ONA rules and services, see page 36. Also.



Unbundled Services

Special Rules for Marketing Employees

separate product compliance training is available through the Marketing Academy and the Market Services Organization.

Using ONA services to create enhanced services

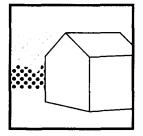
To explain how we use basic network services to build enhanced services, here's a hypothetical example. Let's say the Small Business market unit creates a voice messaging service using business lines and analog private lines to transport calls from our network to the enhanced services equipment—which is probably located in one of our central offices. The unit adds Message Delivery Service, which will provide data about the calls, such as the telephone numbers of the callers and other information. Hunting and Call Forwarding Busy Line/Don't Answer route calls to the voice mailboxes. Message Waiting Indication, an intermittent dial tone, lets customers know they have messages.

A competitor may decide to use the same set of basic services to create its voice messaging product. The same basic services are available to the competitor at exactly the same prices as those used by U.S. WEST to create its Voice Messaging Service. As a result, we meet the customer's network needs fairly and in compliance with the law. And consumers have more choices.

Building Blocks for Enhanced Services

Enhanced Services

Example



Basic Serving Arrangements

Business Lines and Private Lines



Basic Service Elements
Hunting, Message

Delivery Service



Coll Forwarding

Call Forwarding. Busy Line/Don't Answer Message Waiting

Of course, the competitor may choose other ways to add value to the product or use different "building blocks" to create the enhanced service, including services of its own invention. Thanks to ONA, that's all possible now.

How to request basic services for use with enhanced services

What if an enhanced services provider wants to build the service using other network services—and what if those services aren't available as ONA services yet? Any U S WEST operation or outside provider of enhanced services can request new basic network services.

4 Criteria for Requests

All requests go through the same evaluation process, which must be completed within 120 days. Each request is rated against four criteria established by the FCC: enhanced services utility, market demand, technical feasibility and cost feasibility.

If the request is approved, we develop the basic service and make it available as an "ONA service." If a U S WEST enhanced services operation requested the new basic ONA service, we must make it available to all other enhanced services providers at the same time, and we must also inform the FCC. A basic network service used to provide U S WEST enhanced services must be filed as an ONA service in appropriate state and federal jurisdictions.

It's extremely important to remember that we must not favor a U S WEST enhanced services operation when deciding whether to develop an ONA basic service or when scheduling deployment.

We will file an annual report with the FCC every year by April 15th to describe our compliance with this principle. In 1995, the FCC will review our record.

EQUAL NETWORK ACCESS





- Q. How does this rule affect me?
- A. We have to be sure we don't give our own enhanced services operations any sort of advantage. We can't give them any special consideration, price breaks or extra attention.

Equal Treatment

- Q. What procedures are used to ensure nondiscriminatory access to network services? And how can competitors be assured their product plans are not shared with U S WEST's competitive operations?
- A. The Vendor Service Center (VSC), a separate channel established by U S WEST Communications, takes all requests for basic services from U S WEST enhanced services operations. That way, U S WEST can demonstrate that service orders for U S WEST are treated comparably with those for competing providers. The VSC also can handle requests for basic services from outside enhanced services providers who want to be sure their requests remain confidential. The VSC also provides service to shared tenant service providers, customer premises equipment providers, alternate transport service providers and voice/data vendors.

Vendor Service Center

- Q. How do enhanced services providers find out about ONA services?
- A. Every basic network service that U S WEST Communications uses for an enhanced service is filed with the FCC. The information is also available on diskette from the Vendor Service Center. U S WEST publishes and distributes the ONA News, a technical newsletter for all enhanced services providers, to let them know at least three weeks in advance about new services being filed in state tariffs.

Advance Disclosure Through ONA News

- Q. Do our internal enhanced services operations pay the same price for basic network services as everyone else?
- A. Yes. Any U S WEST enhanced services operation pays the same price for basic network services as any outside provider and under the same terms and conditions.

Price Parity

- Q. How do we know if a new service is basic or enhanced?
- A. Ask your line attorney, the only person authorized to make that distinction. An attorney also will conduct an evaluation based on the Modification of Final Judgment and related rules.
- Q. How do I know if a basic network service is categorized as an ONA service?
- A. If U S WEST or another company uses the basic network service to support an enhanced service, it becomes an ONA service. See page 36 for a current list of ONA services.

ONA Service Defined

- Q. Can enhanced services or CPE be packaged with basic services?
- A. As long as we abide by the rules, we may jointly market basic and enhanced services and offer customers a combination of services that is responsive to their needs. However, we must be careful not to blur the line between basic services and enhanced services. Also, the FCC's rules specify that we cannot create a package of basic and enhanced services or basic services and CPE and price it lower than it would cost if the services were purchased separately. However, other providers outside of US WEST can package products and discount them.

- Q. A planning team for an enhanced service will need a new basic service. What key rules must it consider?
- A. First, let your ONA compliance manager know as soon as possible. Special rules apply to a new basic service that will be used for a U S WEST enhanced service. If the new basic service is not currently on file with the FCC in the ONA Plan, an amendment must be filed. This will take at least 90 days. The service cannot be used until then. We must notify the enhanced services industry three weeks before filing state tariffs and testing any ONA services requested by an internal U S WEST enhanced services operation. This notification is usually done through the ONA News. Also, the team must follow customer proprietary network information rules. The basic service must be purchased at tariff rates. Team members must make sure our enhanced services business is not subsidized by basic telephone service ratepayers. U S WEST cannot give the team any special service or provisioning consideration. Network disclosure takes a minimum of six months. (See Principles Two through Five for details.)

Key Rules for Product Managers

- Q. How many requests for new services have there been recently?
- A. From 1990 to 1992, there were 30 requests, 18 of which came from companies outside U S WEST. Only two requests were canceled. The others have been turned into ONA basic services or are in the process of becoming ONA basic services.
- Q. Can we put our enhanced services equipment in our own central offices?
- A. Yes, but outside companies cannot. Some of our competitors would like to be able to locate their enhanced services equipment in our central offices. To date, "collocation" is not an FCC requirement. Our collocated enhanced services operations follow special accounting procedures. The connection to any U S WEST basic service must be the same as if the enhanced services equipment were located outside the central office and must be charged the tariffed rate. This procedure is called "virtual collocation." If the tariffed connection cost from the enhanced services equipment to our central office equipment is based on distance, we charge our own enhanced service as if the equipment were located two miles away.

Collocation

- Q. Why did U S WEST file the initial set of Basic Service Elements in the U S WEST interstate access tariff, even though most Basic Service Elements look more like local exchange features, for example, Uniform Call Distribution?
- A. The FCC directed that all these services be filed in our interstate access tariffs.
- Q. Are ONA services available only to customers purchasing out of intrastate tariffs?
- A. No. Since early 1992, a number of ONA services have been made available to customers out of the interstate tariffs. In fact, we anticipate that the number of interstate ONA services will continue to grow, particularly as more ONA features can be provided on interstate circuits.

Interstate Access Tariffs

10

EQUAL NETWORK ACCESS



PRINCIPLE TWO

We will provide the same quality and timeliness of basic network services, repair and installation to our competitors as we do to our own internal enhanced services and customer premises equipment operations.

This is called the nondiscriminatory provisioning and maintenance principle. It requires us to provide the same quality of network services, installation, repair and maintenance to all customers, regardless of their provider of enhanced services or their customer premises equipment vendor.

Service Equality

Quite simply, this principle makes sure we do not favor the customers of U S WEST enhanced services and customer premises equipment providers over the customers of outside providers. It applies to all aspects of provisioning basic network services.

The reason behind the principle

Our competitors feel we have a distinct advantage because we control the telephone network. After all, they deliver their services over our telephone network. They're afraid we'll misuse that control to favor our own enhanced services and customer premises equipment operations.

As one of our concerned customers explained, "You've got Domino's Pizza. They deliver. You've got Pizza Hut. I'm the Pizza Hut. All of a sudden, I've got to use your delivery van to deliver my pizza. Your pizza's in the van. My pizza's in the van. Which one is going to get there hot? Not mine."

The fact is that our computers set installation and repair intervals automatically. However, some people still think we'll misuse our control of the telephone network to benefit our own enhanced services or customer premises equipment customers.

Our critics are also afraid we'll use our marketing position to influence customers to buy enhanced services and equipment from *U S WEST*.

Standardized hardware and software connections

Another aspect of this principle requires us to use standardized hardware and software when connecting to our network. The same technical characteristics must be available to internal and external enhanced services and customer premises providers.

FCC reports

U S WEST files annual reports and affidavits attesting to compliance with these requirements and affirming that we have conducted business in a nondiscriminatory manner.

Protection Against Favoritism







- Q. How do enhanced services or telephone equipment companies outside U S WEST order service from us?
- A. Through their sales reps or the Vendor Service Center. U S WEST Communications enhanced services operations place their service requests through the Vendor Service Center.
- Q. An agent for a big customer hints he'll buy additional equipment from U S WEST if we'll install some circuits faster than usual. Can we do it?
- A. No. The customer can go through the ordinary process to order an expedited installation. But we cannot speed up the installation because of a promised CPE sale. In every instance, compliance is always more important than a sale.
- Q. Can enhanced services and customer premises equipment personnel have access to U S WEST's Operational Support Systems (OSS)?
- A. Yes, subject to proper accounting. However, special rules apply when our enhanced services and CPE operations have access to these four OSS functions: (1) service order entry and status, (2) trouble reporting and status, (3) diagnostics, monitoring, testing and network reconfiguration and (4) traffic data collection. For these systems, we also will need to make the same information available on the same terms and conditions to competing enhanced services and CPE providers. In this case, our service currently under development is called MEDIACC. It provides "mediated access" to these systems by competitors and U S WEST. Our petition to clarify that these rules do not apply to service-order entry databases is still pending at the FCC. Until action is taken, we can continue to access service-order databases directly.

Q. Can a U S WEST enhanced services or CPE salesperson try to convince the central office to speed up an installation?

- A. Absolutely not. Standard due dates apply. Also, the salesperson cannot lead customers to think they'll get better or faster basic service if they buy enhanced services or CPE through U S WEST.
- Q. A U S WEST product manager is planning to conduct a technical trial for a new basic service to be used with an enhanced service. What considerations must be kept in mind?
- A. Most important, outside enhanced services providers have to be given the same chance to conduct their technical trials with some network services. They are informed of the trial at least *three weeks* in advance through the *ONA News*. Basic service trials must also comply with the regulations of the jurisdiction where the trial is to be conducted.
- Q. How have the rules about market trials changed?
- A. Follow MFJ/CECO guidelines for trials. Also, for FCC compliance, treat market trials as you would full deployment.

Operational Support Systems

Trials

Q. How do we report compliance with nondiscriminatory provisioning and maintenance to the FCC?

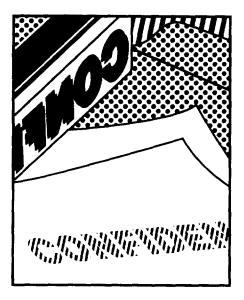
A. We submit quarterly and annual reports to the FCC to show we have not favored U S WEST Communications' enhanced services or CPE operations. Quarterly, we track and report the installation due dates performance on orders for internal and external providers. The quarterly maintenance report compares the time it takes to clear trouble for internal and external providers. Network officers sign annual affidavits stating that no discrimination has occurred in the provision, installation or quality of service.

FCC Reports

- Q. What about "Official Communications Service," can it be used to provide enhanced services?
- A. U S WEST enhanced services must purchase basic services at tariffed rates. Since complex regulatory issues are raised whenever an enhanced service uses or relies on part of what is known as the U S WEST "Official Network" or "Official Communication Service," you must consult with your ONA compliance manager.

Official Communications Service

- Q. What's the bottom line on nondiscriminatory provisioning and maintenance?
- A. U S WEST Communications must treat every request for service from enhanced services or customer premises equipment providers the same. We must apply standard intervals and due dates to service orders and repair requests for basic network services used by enhanced services providers. Equally important, we must provide the same quality of network service components to our competitors as we use in U S WEST enhanced services and CPE operations.



PRINCIPLE THREE

Customers have the right to choose who can access information about their network services.
Customers can decide whether or not they want U S WEST enhanced services or customer premises equipment employees or external providers to have access to their local telephone service records for sales purposes.

This principle lets our customers select who can have access to their network service records. Under this principle, for service reasons, customers may authorize U S WEST to provide their customer record information to enhanced services or customer premises equipment vendors outside U S WEST. Customers also may decide they don't want U S WEST personnel who sell or market enhanced services or customer premises equipment to have access to this information. In these cases, their network service records are "restricted."

Information Restrictions